BEFORE THE IDAHO PUBLIC SERVICE COMMISSION

IDAHO TELEPHONE ASSOCIATION,	)	
CITIZEN'S TELECOMMUNICATIONS	)	
COMPANY OF IDAHO, CENTURYTEL	)	**CASE NO. QWE-T-02-11**
OF IDAHO, CENTURYTEL OF THE	)	
GEM STATE, POTLACH TELEPHONE	)	
COMPANY and ILLUMINET, INC.	)	

Complainants,

v.

QWEST CORPORATION,

Respondent.

DIRECT TESTIMONY

OF

SCOTT A. MCINTYRE

ON BEHALF OF QWEST CORPORATION

September 27, 2002

DIRECT TESTIMONY OF SCOTT A. MCINTYRE
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I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, AND OCCUPATION.

A. My name is Scott A. McIntyre. I work for Qwest Corporation and my title is Director – Product and Market Issues.

Q. PLEASE REVIEW YOUR EDUCATION, WORK EXPERIENCE, AND PRESENT RESPONSIBILITIES.

A. I earned a Bachelor of Science degree in Electrical Engineering at the University of Washington in 1974. I have worked for Qwest (formerly U S WEST Communications, Inc. and before that, Pacific Northwest Bell) since 1970. In the past 32 years, I have held many positions that have given me a broad understanding of the telecommunications business. I have experience in the installation and repair of local residence and business telephone services. I also have experience in analyzing and planning new central office equipment and interoffice network facilities. I have performed cost analyses on many aspects of the business and analyzed departmental budgets in great detail. From 1987 to 1999, I managed private line voice and data products. This included the development, pricing and marketing for a wide range of products serving business customers across Qwest's fourteen-state region.

Since July 1999, I have been in my current position as a policy and pricing expert, representing Qwest on issues involving various services. I also represent Qwest on issues concerning competition and performance measures. This wide range of experience has provided me with an understanding of how services are provided, the pricing and marketing that support these services and the impacts of regulation and competition.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN IDAHO OR OTHER STATES IN QWEST'S TERRITORY?

A. I have not previously testified in Idaho, however I have testified on several different occasions in Oregon, Washington, Colorado, Arizona, New Mexico, Utah, Wyoming, Iowa, Nebraska, and Minnesota.

II. INTRODUCTION

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the Complaint filed by The Idaho Telephone Association ("ITA"), Citizen's Telecommunications Company of Idaho, and Illuminet, Inc. (collectively referred to as "Complainants") and, specifically, to support the application of Qwest's June 1, 2001 Idaho Access Service Catalog ("Catalog") revision restructuring Signaling System Seven ("SS7") signaling functions.

Complainants are **not** challenging Qwest's decision to recover its set up costs for the termination of intrastate toll calls through separate access charge rate elements. Nor are they challenging the rates for those elements or Qwest's decision to structure them as a per-call charges. (Paragraph 10 of the Complaint.) They are, however, challenging, Qwest's application of the rates.

In my testimony, I will explain how Qwest is, in fact, appropriately applying the rates and how Complainants have confused facts in this case. As to application of Qwest's revised SS7 signaling structure, the facts are pretty straightforward.

- Qwest's has a currently effective Idaho Access Service Catalog specifying the terms, conditions and rates for its SS7 signaling service.
- The SS7 signaling rate structure in the Catalog is consistent with the federal rate structure previously approved by the FCC.
- Of all the Complainants, only Illuminet is currently a customer of Qwest.
- The Other Complainants have chosen to purchase their signaling from third party signaling providers, such as Illuminet and Syringa.
- Third party signaling providers, such as Illuminet and Syringa, who choose to purchase SS7 signaling from Qwest must purchase through Qwest's Access Service Catalog because, as non telecommunication carriers, they do not qualify to purchase through Interconnection or SS7 Infrastructrue Sharing Agreements.
- Illuminet cannot purchase from Interconnection or SS7 Infrastructure Sharing Agreements on its own or by claiming an agency relationship with its customers who may have such agreements with Qwest because it does not qualify for either.
- Whether or not Illuminet chooses to pass along to its customers the new signaling message rate elements is its business choice and is irrelevant in this case.
- To the extent the other Complainants in this case have a voice/data relationship with Qwest, such as an EAS arrangement or Interconnection Agreement, the nature of that relationship is irrelevant to the application of signaling message charges assessed to Illuminet in this case.
- The voice/data network is completely separate from the SS7 signaling network. On the voice data network, there may be differentiation between local and toll *traffic*. On the SS7 signaling network, there is no differentiation between local and toll signaling *messages*. A message is a message.
- Complainants' allegation that third party providers, such as Illuminet,

> should not be charged for signaling *messages* related to local *traffic* is inaccurate. The message rates apply, as they should, when third party providers, such as Illuminet, access Qwest's signaling network. The charges apply regardless of the underlying nature of the traffic (*i.e.,* EAS, local, toll) and regardless of the type of customer served by the third party provider because the message is transmitted and the costs are incurred.

In my testimony, I will also describe how SS7 signaling charges contained in the Qwest Access Service Catalog clearly apply to third party signaling providers, such as Illuminet. Qwest understands that Complainants may be upset that Qwest has closed a pricing loophole with its SS7 restructure, but that does not mean they should be allowed to avoid its application. The Complainants should be required to abide by the rates, terms and conditions of the Catalog and should not be afforded the refund relief requested in the Complaint.

III. BACKGROUND

Q. PLEASE PROVIDE SOME BACKGROUND AS TO HOW QWEST'S ACCESS RESTRUCTURE OF SIGNALING EVOLVED.

A. Signaling has evolved as telecommunications competition has evolved. There are two types of costs associated with the use of Qwest SS7 signaling network. Those are costs for *accessing* the network and for *utilizing* the network. Historically, interexchange carriers ("IXCs") were the primary users of Qwest's SS7 network. Because of that, signaling message costs for *utilizing* the network were captured in switched access rates on a per-minute-of-use basis. (Switched access rates are rates paid to Qwest by IXCs for originating and terminating calls to Qwest's customers via Qwest's PSTN network.) Costs for *accessing* the network were recovered, and still are recovered, through flat-rated link and port charges.

As competition developed, more and more providers, including Competitive Local Exchange Carriers ("CLECs"), wireless providers and third party signaling providers, began accessing and utilizing Qwest's SS7 signaling network. While those providers may have been paying for *access* to the signaling network through link and port charges, they were not paying for *utilizing* the network as the IXCs were doing through payment of switched access charges to Qwest. As a result, those IXCs bore a disproportionate and arguably unfair amount of the signaling costs. In order to correct that problem, Qwest made a substantial investment to update its systems so that signaling costs could be assessed and recovered based on a customer's actual usage of the SS7 signaling network

Qwest first restructured its SS7 signaling rate elements at the federal level by revising its FCC Access Service Tariff. The restructure was accomplished, on a revenue neutral basis, by removing the messaging costs from the switched access rate elements and establishing five new stand-alone message rate elements. *In re U S West Petition to Establish Part 69 Rate Elements For SS7 Signaling*, Order, DA 99-1474, CCB/CPD 99-37 (rel. Dec. 23, 1999). The federal tariff became effective on May 30, 2000. The FCC approved the usage-sensitive message rates and specifically found it was in the public interest to assign costs to the providers who use the separate signaling network. *Id.* at Para. 7. ("We also find that the U S West proposed restructure is in the public interest because it will permit U S West to recover its SS7 costs in a way that reflects more accurately the manner in which those costs are incurred.")

Qwest then began to implement this same revised rate structure for SS7 at the state level. Currently eight states, including Idaho, have adopted the revised rate structure that provides charges for both access to the SS7 system (via links and ports) and actual usage of the system (via message-sensitive rates). In revising the Idaho Access Service Catalog, Qwest abided by all Commission rules and regulations, and the Catalog is currently effective.

Q. WHAT IS THE DIFFERENCE BETWEEN "SIGNALING MESSAGES" AND VOICE AND DATA "TRAFFIC"?

A. It is critical for the Commission to understand the difference between signaling "messages" and voice and data "traffic". Qwest witness Joseph Craig will go into more detail, but essentially "traffic" consists of transmissions, i.e., voice and data calls, that are transported over the PSTN. These are conversations or data exchanges that occur between parties. Signaling "messages" are the short bursts of data between network switches that electronically inform the switches how to establish the path over which the conversations and data exchanges take place.

The signaling network is similar to traffic signals in our cities. Traffic signals operate on a separate, interconnected network to control the flow of automobile traffic, which is similar to the voice/data traffic on the PSTN.

Q. WHAT IS SIGNALING SYSTEM 7?

A. Signaling System 7 ("SS7") is an out-of-band (separate) signaling network that uses separate switches and network connections to perform the signaling functions associated with placing telephone calls. The network configuration for SS7 is described in more detail in the testimony of Mr. Joe Craig on behalf of Qwest.

Q. HOW ARE CHARGES FOR SIGNALING ASSESSED?

A. With the June 1, 2001, Idaho Access Service Catalog revision, Qwest restructured its rates so that the signaling costs reflect actual usage of the SS7 network. The new price structure presents a more equitable arrangement for assessing signaling rates. The current rate structure includes flat-rated link and port charges for accessing the network and five usage sensitive rate elements (per-message charges) for utilizing the network.

Q. PRIOR TO THE IDAHO ACCESS SERVICE CATALOG REVISIONS AT ISSUE IN THIS PROCEEDING, WERE CLECS AND WIRELESS PROVIDERS CONTRIBUTING THEIR FAIR SHARE OF SS7 COSTS?

A. If CLECs or wireless providers were paying for access and use of the network pursuant to the rates, terms and conditions of an Interconnection Agreement, then they were likely paying their fair share. If, however, they were paying only for access to the network, through link and port charges, but not for use of the network through an Interconnection Agreement, the Access Service Catalog or through a third party provider, they were not paying their fair share of SS7 costs, for reasons outlined above.

Q. PRIOR TO THE IDAHO ACCESS SERVICE CATALOG REVISIONS, WERE ILECS CONTRIBUTING THEIR FAIR SHARE OF SS7 COSTS?

A. Not if they were utilizing a third party signaling provider like Illuminet for their signaling. Third party signaling providers purchased from Qwest's Access Service Catalog which, at the time, only assessed costs for access to the Qwest SS7 network through link and port charges. The message rates for utilizing the network were not yet established as stand-alone elements.

Q. DID THE PREVIOUS CATALOG STRUCTURE GIVE SOME ILECS OR CLECS OR WIRELESS PROVIDERS A COMPETITIVE ADVANTAGE OVER OTHER PROVIDERS?

A. Yes. Third party signaling providers, who are typically not telecommunications carriers, were able to avoid switched access charges (which included signaling message costs) and just purchase those links and ports needed for SS7 capability.

ILECs or others served by such third party providers reaped the benefits of Illuminet's position by contracting with Illuminet for the provision of SS7 services. IXCs, on the other hand, paid for signaling message costs as part of their switched access rates. Those companies were therefore at a competitive disadvantage to Illuminet's CLEC, Wireless and Independent Local Exchange Carrier ("ILEC") customers.

Q. COMPLAINANTS ALLEGE THAT THE RESTRUCTURE OF QWEST'S CATALOG SHIFTED ITS COSTS FOR LOCAL AND EXTENDED AREA SERVICE ("EAS") FROM ITSELF TO ILECS OR CLECS. IS THIS CORRECT?

A. No. Qwest is not shifting any costs at all. The costs for the SS7 network exist and have existed since the network was established. Charging for signaling as the signaling is used is more fair than charging for it on a per-minute of traffic basis. The cost associated with these calls is not Qwest's cost, it is the cost of using the network and to the degree that ILECs, wireless providers or CLECs (or third party signaling providers) utilize the network, they should pay for it.

Q. SO THE SS7 NETWORK IS NOT IMPACTED BY THE EAS REGIONS IN IDAHO?

A. No. The EAS trunks are part of the Public Switched Telephone Network ("PSTN"), and as such are separate from Qwest's SS7 network. The EAS trunks carry voice/data traffic that, to end-users, appears as local although it was previously classified as toll. The SS7 messages, however, are carried over Qwest's SS7 network. Signaling messaging costs are incurred, regardless of the nature of the underlying voice/data traffic.

Complainant Citizens has chosen to send its signaling messages to Illuminet and its EAS traffic to Qwest. Bill and keep applies to Citizens' EAS traffic with Qwest. However, signaling messages associated with that EAS voice/data traffic are handled separately because the signaling messages are on a completely separate network. Qwest charges Illuminet for the signaling traffic Illuminet sends over Qwest's SS7 signaling network. Whether or not Illuminet passes those message charges along to Citizens is between Illuminet and Citizens. That business relationship is irrelevant to the issue in this case, the application of Qwest's Catalog. Illuminet should pay for its usage.

IV. SIGNALING OPTIONS

Q. DO THE CARRIER COMPLAINANTS HAVE TO PURCHASE SYSTEM SIGNALING 7 ("SS7") FROM QWEST?

A. No. The carrier Complainants have several options.

Q. WHAT OPTIONS DO CARRIERS INTERCONNECTING WITH QWEST HAVE FOR PURCHASING SS7?

A. CLECs or wireless providers have three options.

1. They may choose to purchase SS7 as an unbundled network element ("UNE") through an Interconnection Agreement. For example, the Exhibit A to the Interconnection Agreement that Qwest has with intervenor ELI would allow ELI to purchase SS7 on a UNE basis. If ELI would like to purchase SS7 out of its Interconnection Agreement, it certainly has that option, and Qwest is more than willing to consider some sort of mutual billing relationship with it for SS7 services.
2. CLECs or wireless providers may purchase SS7 as a finished service from Qwest through Qwest's Idaho Access Service Catalog.
3. CLECs and wireless providers may purchase SS7 from a third party provider.

In this matter, ELI has chosen to purchase SS7 from the third party provider Illuminet, not Qwest.

Q. FOR A CLEC OR WIRELESS PROVIDER, WHAT IS THE DIFFERENCE BETWEEN PURCHASING SS7 AS A UNE FROM THEIR INTERCONNECTION AGREEMENT WITH QWEST AND PURCHASING SS7 OUT OF THE CATALOG?

A. Interconnection Agreements allow carriers to purchase products and services on an unbundled network element basis, meaning that the carrier may select which network elements it wants to purchase. UNEs are intended to promote local competition and, as such, are offered at a discounted rate. A service that is purchased out of the Catalog, on the other hand, is a finished product. That means that the purchasing carrier may not pick and choose particular elements of the product. The purchasing carrier has purchased a complete product, not parts of a product.

Q. WHAT OPTIONS DO ILECS HAVE FOR PURCHASING SS7?

A. Independent Local Exchange Carriers ("ILECs") also have three options.

1. ILECs may choose to purchase SS7 from Qwest via a negotiated SS7 Infrastructure Sharing Agreement.
2. Just like CLECs or wireless providers, ILECs may purchase SS7 as a finished service from Qwest through Qwest's Idaho Access Service Catalog.
3. ILECs may purchase SS7 from a third party provider, such as Illuminet.

In this matter, Citizens has chosen to purchase SS7 from the third party provider Illuminet, not Qwest.

Q. YOU MENTIONED THAT ILECS MAY PURCHASE SS7 FROM QWEST VIA A SS7 INFRASTRUCTURE SHARING AGREEMENT. WHAT IS A SS7 INFRASTRUCTURE SHARING AGREEMENT?

A. Section 259 of the federal Telecommunications Act of 1996 ("Act") requires Qwest to share its infrastructure, telecommunications facilities and functions with qualifying independent LECs for the purpose of enabling that qualifying carrier the ability to provide telecommunications services. Qwest must provide signaling to qualifying carriers on terms that allow qualifying carriers to "fully benefit from the economies of scale and scope" from Qwest. Qwest has determined that the SS7 infrastructure sharing requirement encompasses signaling.

Q. WHO QUALIFIES FOR AN INFRASTRUCTURE SHARING AGREEMENT WITH QWEST?

A. The federal Telecommunications Act defines a qualifying carrier as a telecommunications carrier that lacks economies of scale or scope and offers telephone exchange service, exchange access, and any other service that is included in universal service to all consumers without preference throughout the service area wherein the carrier has been designated an eligible telecommunications carrier pursuant to 47 USC 214(e). In addition, the Act provides that CLECs do not qualify for infrastructure sharing treatment.

Q. WHAT OPTIONS DOES COMPLAINANT ILLUMINET AND OTHER THIRD PARTY PROVIDERS HAVE FOR PURCHASING SS7?

A. Third party signaling providers, such as Illuminet, may purchase SS7 from Qwest's Access Service Catalog. Illuminet is not a telecommunications carrier as defined under the federal Telecommunications Act of 1996 and, thus, cannot enter into an Interconnection Agreement with Qwest. Similarly, it does not qualify for infrastructure sharing under Section 259 of the federal Act.

V. COMPLAINANTS' ARGUMENTS

Q. DO THE COMPLAINANTS IN THIS CASE CONFUSE THE ISSUE OF "SIGNALING" WITH THE ISSUE OF "TRAFFIC"?

A. Yes, they do so repeatedly. In the filed complaint there are five issues raised by the Complainants. Two of these five issues attempt to portray traffic issues as signaling issues. These five issues are outlined on page three of the complaint. **Item a.**, for example, asserts that Qwest has contravened the Commission's practice of "bill and keep" treatment for local and EAS calls. Bill and Keep is clearly a "traffic" issue, not a signaling issue. Bill and Keep simply means a company "bills" customers for local service or calls placed and "keeps" the associated revenue. Signaling has nothing to do with this process for local and EAS traffic, and Qwest has not changed the process at all.

Item c. charges that Qwest has violated "meet-point-billing" practices. This is also a “traffic” issue. Meet-point-billing has to do with how network “traffic” is exchanged between companies at negotiated locations known as “meet-points”. The SS7 network is an entirely separate network with different signaling interfaces. Qwest’s restructure of signaling does not affect meet-point-billing arrangements. These traffic interfaces remain the same. The ILECs in this case are the only ones with meet-point arrangements with Qwest. The ILECs have no such meet-points for signaling because they are not purchasing signaling from Qwest. Illuminet purchases signaling but has no meet-point issues at all. These are two entirely different concepts.

Q. WHILE YOUARE ON THE SUBJECT OF THE ISSUES RAISED IN THE COMPLAINT, PLEASE RESPOND TO THE OTHER THREE ALLEGATIONS RAISED BY THE COMPLAINANTS.

A. The following items are also on page three of the Complaint. Complainants allege in **Item b.** that Qwest has substituted an Access Service Catalog change for the requirement to negotiate Interconnection Agreements between Qwest and CLECs. This is hardly the case. The Interconnection Agreement process is still in place with no changes at all. This process continues to be the preferred process for negotiating network connections with CLECs. In this case, the CLECs chose to purchase signaling from Illuminet and not pursuant to other options that may have been available to them.

The claim in **Item d.** is that Qwest "unilaterally" shifted "costs" from IXCs to Qwest's local competitors thereby frustrating further development of nascent competition. The fact is that Qwest has merely done what the FCC said "will permit U S WEST ("Qwest") to recover its SS7 cost in a way that reflects more accurately the manner in which those costs are incurred." This is the essence of fair competition. Accurate cost-based rates are required for fair competition, not biased rates that provide some competitors with an unfair advantage over other providers.

Complainant's final issue, **Item e.**, alleges that Qwest has effectively re-priced residential and small business "basic local exchange service". This is clearly not the case. Qwest did not change any basic exchange rates at all. Qwest received no additional revenues as a result of the Access Catalog change. It was revenue neutral to Qwest. Qwest merely changed the structure to reflect the usage of a specific service. In this case, Illuminet is Qwest's customer, not the ILECs or CLECs and Illuminet serves no end user customers at all. Qwest made no changes to any basic exchange rate. Furthermore, any time access rates change, there is the possibility that some trickle down effect may occur. In this case, that trickle down effect may be the reduction of intrastate toll charges by IXCs who have benefited from reduced signaling costs. This trickle down effect is clearly at the discretion of the final provider of service, not any of the intermediary providers who may or may not pass along cost increases (or decreases) to their customers.

Q. IS ILLUMINET THE ONLY THIRD PARTY SIGNALING PROVIDER IN THIS CASE?

A. It appears not. Based on the answer to one of Qwest's data requests, there is another third party signaling provider, known as Syringa or Syringa Networks.

Q. HOW DOES SYRINGA OPERATE AS A THIRD PARTY SIGNALING PROVIDER?

A. It appears that Syringa purchases signaling through Project Mutual, an unregulated ILEC. Syringa appeared to Qwest to be a facility provider transporting Project Mutual's signaling. Based on Complainant Idaho Telephone Association's ("ITA's") response to Qwest's Interrogatory No. 3, it appears that Syringa provides signaling services to other ILECs, just like Illuminet. Project Mutual was Qwest's SS7 customer. Qwest has no contractual or catalog SS7 relationship with Syringa.

Q. WHY WOULD SYRINGA NOT MAKE ITS SIGNALING OPERATION KNOWN TO QWEST?

A. Presumably to hide the fact that they were a third party SS7 provider selling the signaling to ITA members and try to protect the pricing loophole as long as possible.

Q. DOES THE CATALOG REVISION RESTRUCTURING QWEST'S SS7 SIGNALING RATES MAKE THE VARIOUS OPTIONS AVAILABLE TO CLECS MORE EQUITABLE?

A. Yes. It makes the rate structure in the catalog equivalent to that in the Interconnection Agreements by introducing signaling message rate elements.

Q. HAVE OTHER STATES IN THE QWEST REGION ADOPTED THE IMPROVED SS7 RATE STRUCTURE?

A. Yes, the improved rate structure is currently available in eight states within Qwest's 14-state service territory, including Idaho.

Q. DO THE COMPLAINANTS IN THIS CASE MAKE ANY STATEMENTS ABOUT THE REASONABLENESS OF THIS NEW STRUCTURE?

A. Yes. On page 8, paragraph 10, they state that "Complainants do not take issue with Qwest's decision to recover its set up costs for the termination of intrastate toll calls through separate access charge rate elements. Nor do Complainants challenge the Access Catalog price for these elements or the decision to structure them as a per-call charge."

Q. IF THE COMPLAINANTS AGREE WITH THE STRUCTURE AND THEY AGREE WITH THE PRICE, THEN WHAT IS THEIR CONCERN?

A. They say in paragraph 10 of the Complaint that their concern is with Qwest's application of the SS7 signaling rates.

Q. IS THAT A VALID CONCERN?

A. No. Qwest is appropriately applying the revised SS7 signaling rate structure as described above in a non-discriminatory manner. Illuminet purchases out of Qwest's Idaho Access Service Catalog and should not be allowed to pick and choose the elements it would like to pay for particular services. The Catalog is valid and its rates are effective. The other Complainants have chosen to purchase signaling through Illuminet, so application of the revised SS7 signaling rate structure to those carriers is a matter not for Qwest, but between them and Illuminet.

VI. <u>ACCESS CATALOG</u>

Q. IS ANY LOCAL TRAFFIC INCLUDED IN THE SS7 SIGNALING CHARGES TO THE COMPLAINANTS?

A. No, there are no charges for local "traffic". Local "traffic" is carried over trunks designed specifically for traffic. Signaling messaging is charged on a per-message basis without regard to the nature of the underlying voice/data traffic.

Q. IS THE SIGNALING ASSOCIATED WITH THE LOCAL TRAFFIC INCLUDED IN THE CHARGES TO ILLUMINET?

A. Yes. A message is a message. Illuminet is using Qwest's SS7 network to complete signaling for all traffic regardless of the jurisdiction. It is completely appropriate to charge for this signaling in proportion to the demands placed on the network. This is in line with the concept of paying for what you use.

Q. WHY IS IT APPROPRIATE FOR SS7 CHARGES TO APPEAR IN QWEST'S ACCESS SERVICES CATALOG?

A. The FCC defined SS7 as an access service (in Part 69 rules) and it was therefore implemented in Idaho in that manner. Qwest's Idaho Access Service Catalog contains services that are offered on a wholesale rather than a retail basis; however, non-Access services such as DS1 and DS3 are also available through the Access Service Catalog. Feature Group D services are billed via access MOU rates for all traffic that goes over the trunks regardless of whether it is local, EAS, intraLATA/intrastate or interLATA/intrastate. The Access Catalog provides rates for accessing Qwest's network to **customers** who sell **telecommunications services** to others, i.e., wholesale services. It is not limited to toll providers and it is not limited to toll providers' provision of toll services.

VII. SS7 RATES

Q. HOW DID QWEST SET THE RATES FOR THE SIGNALING ELEMENTS ESTABLISHED IN THE ACCESS SERVICES CATALOG?

A. SS7 message rates were set equal to those existing in Qwest's interstate access tariff to have consistency in rates for both the intrastate and interstate jurisdictions, after assuring that those prices equaled or exceeded each element's total service long run incremental costs ("TSLRIC"), as established in the study performed for the FCC filing.

Q. WHY HAS QWEST ESTABLISHED THE SAME RATES FOR SIGNALING MESSAGES IN IDAHO AS IS FOUND IN THE FCC TARIFF? ARE ALL INTRASTATE RATES SET EQUAL TO INTERSTATE RATES?

A. Since interstate and intrastate access service elements are essentially identical, Qwest attempts, where possible, to set the rates charged for like elements at the same rate. This is not only a reasonable policy, but also one that is appreciated by access customers managing both intrastate and interstate access-supported services.

Q. WHEN DID THESE RATE ELEMENTS BECOME EFFECTIVE IN THE FCC TARIFF?

A. The FCC approved Qwest's (then U S WEST's) petition to establish these rate elements on December 22, 1999. (CCB/CPD 99-37). The tariffed rates became effective on May 30, 2000.

Q. WAS QWEST'S PETITION TO ESTABLISH THESE RATE ELEMENTS OPPOSED BY ANY OTHER PARTY?

A. No. Qwest's petition was unopposed.

Q. DID THE FCC RECOGNIZE THE IMPACT QWEST'S FILING WOULD HAVE?

A. Yes. In paragraph 7, the FCC's Order states: "We also find that the U S WEST proposed restructure is in the public interest because it will permit U S WEST to recover its SS7 costs in a way that reflects more accurately the manner in which those costs are incurred." In paragraph 9, the Order goes on to say: "We further conclude that it would be in the public interest to grant U S WEST's petition because the proposed services add to the range of options available to U S WEST customers."

Q. WON'T FCC RATES CHANGE EVERY YEAR WITH THE REQUIRED ANNUAL FILING AND WON'T THAT RESULT IN RATE DISPARITY AGAIN?

A. That is possible, but not all FCC rates are adjusted every year and we do not expect changes in FCC signaling rates in the near future. In any case, it makes sense to start out with the same rates as the current federal rates even though future regulatory policies may cause some disparity in the rates in the future.

Q. DOES QWEST BILL CLECS OR ILECS FOR SIGNALING MESSAGES, IF THEY PURCHASE SIGNALING FROM A THIRD PARTY PROVIDER?

A. No. In such cases, the CLECs or ILECs are not Qwest's customers for SS7 signaling services – they are the third party signaling provider's customer. Therefore, Qwest does not charge these parties for signaling services and any charges they do incur is a matter of the contract negotiated between them and their provider.

Q. THE COMPLAINANTS MAINTAIN THAT SIGNALING CHARGES SHOULD ONLY APPLY TO ORIGINATING INTRASTATE TOLL TRAFFIC. IS THAT CORRECT?

A. No. It is based on the misconception that signaling messages and voice calls are one and the same. This is simply not correct, as demonstrated in the testimony of Mr. Craig. It is true that the SS7 signaling network has costs that are directly *associated* with messages being transmitted; however, it is confusing and misleading to portray that signaling costs should only be recovered for certain classes of those messages. In the signaling world, a message is a message – every call requires signaling in order for the call to be completed. It makes no difference whether the call is local, EAS, wireless or toll in nature. Likewise, there is a cost for signaling regardless of the underlying nature of the voice/data call.

VIII. INTERCONNECTION AGREEMENTS AND BILLING ARRANGEMENTS

Q. DOES QWEST HAVE AN INTERCONNECTION AGREEMENT WITH ILLUMINET OR OTHER THIRD PARTY SIGNALING PROVIDER?

A. No, because third party providers such as Illuminet are not local service providers. They do not meet the definition of a telecommunications provider pursuant to the federal Telecommunications Act of 1996. Illuminet therefore does not qualify for Section 251 interconnection treatment. Accordingly, pursuant to the Federal Communication Commission's rules, Illuminet is not entitled to purchase SS7 at Unbundled Network Element ("UNE") rates. Illuminet must purchase SS7 out of Qwest's catalog.

Q. SHOULD INTERCONNECTION AGREEMENTS BE A CONSIDERATION IN THIS CASE?

A. No. In this case, Illuminet is Qwest's customer for SS7 services – not the other Complainants. Illuminet is not a CLEC; therefore, it cannot purchase services through an Interconnection Agreement. Illuminet, Syringa or other third party signaling providers, who are not also telecommunications providers, are precluded from purchasing service at UNE rates by the FCC. Illuminet and Syringa therefore must purchase services out of Qwest's Access Service Catalog. Whether the ILECs or CLECs in this case continue to purchase signaling from Illuminet or Syringa under their current agreements, choose to alter those agreements or purchase signaling from Interconnections Agreements or SS7 Infrastructure Sharing Agreements is all a matter of business analysis and free choice.

Specifically, the billing arrangements contained in ELI's Interconnection Agreement have absolutely no bearing on this proceeding. Complainant ELI has chosen not to purchase SS7 services out of its Interconnection Agreement, but rather from Illuminet. Thus, ELI is not Qwest's SS7 customer because the SS7 provisions of its Interconnection Agreement do not apply. Similarly, the EAS billing arrangement between Citizens and Qwest does not apply. Citizens has also chosen to purchase its signaling service from Illuminet. As previously explained, signaling is assessed and billed by Qwest to Illuminet regardless of the underlying nature of the call or the relationship between Illuminet and its carrier customers.

IX. AGENCY ISSUE

Q. DO COMPLAINANT CITIZENS AND INTERVENOR ELECTRIC LIGHTWWAVE, INC. ("ELI") CONTEND IN THEIR DISCOVERY RESPONSES THAT COMPLAINANT ILLUMINET IS THEIR AGENT?

A. Yes, but they admit the scope of the alleged agency is limited to authorizing Illuminet to utilize their point codes when sending SS7 messages to Qwest.

Q. WHAT IS THE BASIS OF THEIR CONTENTION?

A. Complainants base their contention upon letters of agency ("LOA"). Qwest requires its third party SS7 providers such as Illuminet to produce written proof that Illuminet's carrier customers have authorized its use of their point codes. Qwest requires this written proof in the form of a Letter of Authorization or Letter of Agency. Illuminet usually provides a letter from its carrier customers, Citizens and ELI in this case, wherein the carrier customer authorizes the release of its point codes to Qwest.

Q. WHY DOES QWEST REQUIRE THIS AUTHORIZATION?

A. As explained more fully by Qwest witness Joseph Craig, Qwest utilizes point codes to identify which SS7 messages will be given access into its SS7 network. Without point codes, no SS7 message will enter the SS7 network. Illuminet does not have its own point codes; and yet, as Qwest's SS7 customer, it sends SS7 messages to Qwest. Illuminet, instead, utilizes the point codes of its carrier customers. Thus, Qwest requires that Illuminet provide documentation verifying that the use of its carrier customers' point codes is authorized. The authorization also indicates to Qwest that Illuminet has approved access of the SS7 messages for those point codes into Qwest's SS7 network and is requesting that Qwest bill it for the message access.

Q. DO THE LETTERS OF AGENCY GIVEN BY CITIZENS AND ELI TO ILLUMINET IN THIS MATTER AUTHORIZE ILLUMINET IN ANY WAY BEYOND THE USE OF THEIR POINT CODES?

A. No. Both Citizens and ELI admitted that the scope of agency was limited to the use of their point codes. Citizens-Idaho stated in its discovery responses to Qwest's Interrogatory No. 40 that Qwest requires Illuminet to provide proof of authorization "from CTC-Idaho and to file such LOAs with Qwest prior to Qwest loading within its network the necessary point code information that specifically identifies CTC-Idaho's switches." ELI makes the same statement in its response to Qwest's Interrogatory No. 40.

Q. YET COMPLAINANTS ASSERT IN PARAGRAPH 11 OF THE COMPLAINT THAT AS AN "AGENT", ILLUMINET HAS THE RIGHT TO PASS ITS SIGNALING COSTS TO ITS CARRRIER CUSTOMERS. WOULD YOU COMMENT ON THIS ALLEGATION?

A. Illuminet has no "agency" status that means anything in this context. They may call Illuminet an "agent" based on the LOA, but the authorization to use point codes is not an authorization to pass through signaling costs to its carrier customers. Rather, Illuminet's to right to pass through its signaling costs to its carrier customers, such as Citizens and ELI, is based solely upon the contractual signaling relationship negotiation between the complainants. This business relationship is only between Illuminet and its carrier customers. Qwest is no more a party to this contractual relationship and the pass through of signaling costs than any other supplier of Illuminet. If an equipment provider increases its costs of equipment that is purchased by Illuminet, Illuminet may or may not pass along these costs as well. This does not mean that the equipment provider is "effectively" charging the Illuminet's customers more for Illuminet's service. If Illuminet negotiates a reduction in equipment prices, are Illuminet's customers assured of a pass through of these savings? Qwest cannot be responsible for Illuminet's business practices or the contract negotiations with its customers. Perhaps Illuminet knew all along that its pricing loophole would eventually be closed and built protection into its contracts.

Q. DOES THIS AGENCY RELATIONSHIP BETWEEN ILLUMINET AND ITS CARRIER CUSTOMERS (CITIZENS AND ELI) AUTHORIZE ILLUMINET TO NEGOTIATE AND/OR PURCHASE SS7 ON BEHALF OF ITS CARRIER CUSTOMERS?

A. No. Again, the agency relationship, if it exists, between Illuminet and its carrier customers merely authorizes Illuminet to use the point codes of its carrier customers.

Q. FINALLY, DOES THIS ALLEGED AGENCY RELATIONSHIP BETWEEN ILLUMINET AND ITS CARRIER CUSTOMERS (CITIZENS AND ELI) AUTHORIZE ILLUMINET TO STAND IN THE SHOES OF ITS CARRIER CUSTOMERS?

A. No. Contrary to the Complainants' belief Illuminet may not stand in the place of ELI in terms of the Interconnection Agreement between ELI and Qwest. First, as stated above, the scope of agency granted only covered the use of point codes. Second, Illuminet is not eligible for interconnection treatment under the federal Telecommunications Act. The FCC still refuses to allow Illuminet to purchase UNE services through Interconnection Agreements. Third, the Interconnection Agreement is irrelevant in any event because ELI has chosen not to purchase SS7 out of its Interconnection Agreement. As for Citizens, Illuminet's scope of agency only pertained to the use of Citizens' point codes. Illuminet has not represented Citizens in any contractual relationship between Citizens and Qwest, nor would it benefit from the terms of any contract between Qwest and Citizens. Similar to ELI, any contract between Qwest and Citizens, however, is also irrelevant because Citizens purchases SS7 from Illuminet, not Qwest.

X. REVENUE NEUTRALITY

Q. WHY WAS REVENUE NEUTRALITY AN IMPORTANT ISSUE IN THIS FILING?

A. The telecommunications industry has gone through significant technological change as well as policy change. When these changes occur costs can change and the policy of how those costs are recovered can change. There have been many such changes in the past and making these adjustments on a revenue neutral basis has been a way of minimizing the impact on customers and the companies that serve them. Revenue neutral restructures are a way of isolating complex issues. In this case, Qwest did not benefit from the restructure. Qwest's revenue stream was held neutral so the improvements in the structure could be more easily seen. Some customers always benefit from rate restructures and some do not. Typically however, the customers whose rates increase have been receiving a benefit for some period of time. This prior benefit should be weighed when analyzing the rate increase they experience. In this situation, Illuminet (and Syringa) and its customers have been utilizing Qwest's signaling at a discount. This has given them a head start on their competition, but eliminating this windfall should be looked at as a balancing act, not a penalty. The IXCs, who have been paying for Illuminet's signaling experienced a rate reduction when signaling was removed from switching rates and presumably, they will pass these reductions on to customers by way of toll rate reductions. Revenue neutral rebalancing allows everyone to see the logic of the restructure and most agree with the methods even if they do not directly benefit.

XI. CONCLUSION

Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

A. Yes. Illuminet is Qwest's customer for the purchase of SS7 which it, in turn, provides to the other Complainants in this case. In the past, Illuminet purchased services out of Qwest's Access Service Catalog which allowed it to provision SS7 to its customers without purchasing the services whose rate elements cover the cost of the SS7 network. Qwest lawfully revised its catalog to establish discrete SS7 rate elements to ensure that the customers using SS7 services were paying for them. Illuminet should not be allowed to circumvent these charges as it has done in the past. Billing arrangements and Interconnection Agreements Qwest may have with ILECs or CLECs have absolutely no impact on this proceeding, as they have chosen not to purchase SS7 services through these agreements and, therefore, are not Qwest's SS7 customers. Instead, these parties chose to purchase SS7 from Illuminet and Illuminet is not a party to the billing arrangements and Interconnection Agreements. Illuminet has purchased SS7 services out of Qwest's Access Service Catalog, the charges within that Catalog are valid, and Illuminet is certainly not entitled to any refund. The SS7 rates introduced by Qwest provide a fair and equitable mechanism for cost recovery and therefore, should be allowed to remain in effect.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.